



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
FORMER OLDHAM COUNTY SHERIFF**

Calendar Year 1998

**EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS
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Edward B. Hatchett, Jr.
Auditor of Public Accounts

To the People of Kentucky

Honorable Paul E. Patton, Governor

Paul E. McCarty, Secretary

Finance and Administration Cabinet

Sarah Jane Schaaf, Secretary, Revenue Cabinet

Honorable John W. Black, County Judge/Executive

Honorable Steven Wayne Sparrow, Oldham County Sheriff

Honorable Wallace Nay, Former Oldham County Sheriff

Members of the Oldham County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of receipts, disbursements, and excess fees of the former Sheriff of Oldham County, Kentucky, for the year ended December 31, 1998. This financial statement is the responsibility of the former Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the former Sheriff was required to prepare the financial statement on a prescribed basis of accounting that demonstrates compliance with the cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than generally accepted accounting principles. This cash basis system does not require the maintenance of a general fixed asset group or general long-term debt group of accounts. Accordingly, the accompanying financial statement is not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and excess fees of the former Sheriff for the year ended December 31, 1998, in conformity with the basis of accounting described above.

To the People of Kentucky
Honorable Paul E. Patton, Governor
Paul E. McCarty, Secretary
Finance and Administration Cabinet
Sarah Jane Schaaf, Secretary, Revenue Cabinet
Honorable John W. Black, County Judge/Executive
Honorable Steven Wayne Sparrow, Oldham County Sheriff
Honorable Wallace Nay, Former Oldham County Sheriff
Members of the Oldham County Fiscal Court

Based on the results of our audit, we have presented a schedule of Comment and Recommendation, included herein, which discusses the following area of noncompliance:

- The Former Sheriff Should Not Have Paid Himself A Lump Sum Expense Allowance

In accordance with Government Auditing Standards, we have also issued a report dated September 16, 1999, on our consideration of the former Sheriff's compliance with laws and regulations and internal control over financial reporting.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a stylized flourish at the end.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
September 16, 1999

OLDHAM COUNTY
WALLACE NAY, FORMER SHERIFF
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES

Calendar Year 1998

Receipts

State Grants - KLEFPF		\$	14,532
State Fees For Services:			
Finance and Administration Cabinet			65,472
Circuit Court Clerk:			
Sheriff Security Service			27,755
Fiscal Court:			
Election Commissioner	\$	300	
Transporting Prisoners		<u>8,267</u>	8,567
County Clerk - Delinquent Taxes			13,864
Commission On Taxes Collected			482,421
Fees Collected For Services:			
Auto Inspections	\$	14,520	
Serving Papers		23,540	
Transporting Prisoners		<u>8,339</u>	46,399
Other:			
Carrying Concealed Deadly Weapon Permits	\$	10,305	
DARE Program- Oldham County Board of Education		26,483	
Surplus Auto		3,000	
Miscellaneous		<u>3,778</u>	43,566
Interest Earned			30,525
Borrowed Money:			
State Advancement	\$	282,819	
Bank Note		<u>43,000</u>	<u>325,819</u>
Gross Receipts (Carried Forward)		\$	1,058,920

OLDHAM COUNTY
WALLACE NAY, FORMER SHERIFF
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES
Calendar Year 1998
(Continued)

Gross Receipts (Brought Forward) \$ 1,058,920

Disbursements

Operating Disbursements and Capital Outlay:

Personnel Services-

Deputies' Gross Salaries	\$ 373,303
Overtime Gross Salaries	11,400
Former Sheriff's 1999 Salary	9,393

Employee Benefits-

Employer's Share Social Security	30,529
Employer's Share Retirement	14,999
Employer's Share Hazardous Duty Retirement	43,973
Employer Paid Health Insurance	27,195

Contracted Services-

Advertising	2,508
Vehicle Maintenance and Repairs	9,104

Materials and Supplies-

Office Materials and Supplies	5,678
Uniforms	11,902

Auto Expense-

Gasoline	13,285
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Other Charges-

Conventions and Travel	5,802
Carrying Concealed Deadly Weapon Permits	6,885
Dues	1,320
Postage	7,771
Interest School Board	15,866
Radio Maintenance and Equipment	6,219
Bond	288
Expense Allowance	600
Miscellaneous	18,049

Capital Outlay-

Office Equipment	6,617	
Vehicles	21,024	\$ 643,710

OLDHAM COUNTY
 WALLACE NAY, FORMER SHERIFF
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES
 Calendar Year 1998
 (Continued)

Disbursements (Continued)

Debt Service:

State Advancement	\$	282,819	
Notes		43,000	
Interest		<u>1,795</u>	\$ <u>327,614</u>

Total Disbursements \$ 971,324

Less: Disallowed Disbursement
Expense Allowance 600

Total Allowable Disbursements \$ 970,724

Net Receipts \$ 88,196

Less: Statutory Maximum 48,726

Excess Fees \$ 39,470

Payments to County Treasurer- June 7, 1999 38,870

Balance Due at Completion of Audit \$ 600

The accompanying notes are an integral part of the financial statement.

OLDHAM COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 1998

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

The financial statement has been prepared on a cash basis of accounting pursuant to KRS 68.210 as recommended by the State Local Finance Officer. Revenues and related assets are generally recognized when received rather than when earned. Certain expenses are recognized when paid rather than when a liability is incurred, including capital asset purchases. Certain other expenses are recognized when a revenue and the related asset can be associated with a corresponding liability due another governmental entity.

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year. A schedule of excess of liabilities over assets is included in this report as a supplemental schedule. The schedule indicates the cumulative effect of prior year deficits under the respective fee official.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 8.22 percent. Hazardous covered employees are required to contribute 8.0 percent of their salary to the plan. The county's contribution rate for hazardous employees was 18.85 percent.

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Note 2. Employee Retirement System (Continued)

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report which is a matter of public record.

Note 3. Deposits

The former Sheriff maintained deposits with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to law, the depository institution should pledge sufficient securities as collateral which, together with FDIC insurance, equals or exceeds the amount on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge of securities should be evidenced by an agreement that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. This agreement, signed by both parties, must be sufficient to create an enforceable and perfected security interest in the collateral under Kentucky law. The former Sheriff met the requirements stated above, and as of December 31, 1998, deposits were fully insured or collateralized at a 100% level with securities held by the county official's agent in the county official's name.

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COMMENT AND RECOMMENDATION

OLDHAM COUNTY
WALLACE NAY, FORMER SHERIFF
COMMENT AND RECOMMENDATION

Calendar Year 1998

STATE LAWS AND REGULATIONS:

The Former Sheriff Should Not Have Paid Himself A Lump Sum Expense Allowance

The former Sheriff paid himself an undocumented lump sum expense allowance of \$600. KRS 64.710 says "No public officer or employee shall receive or be allowed or paid any lump sum expense allowance or contingent fund for personal or official expenses except where such allowance or fund is expressly provided for by statute or is specifically appropriated by the general assembly". We have disallowed this expenditure which resulted in an additional \$600 due the Oldham County Fiscal Court as excess fees for calendar year 1998. We recommend the former Sheriff repay the \$600 to fiscal court for excess fees owed.

Management's Response:

I talked to County Judge John Black and County Attorney John Fendley about expense of \$300 per month and was given the ok to do so. For a total of \$600.

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REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Honorable John W. Black, County Judge/Executive
Honorable Steven Wayne Sparrow, Oldham County Sheriff
Honorable Wallace Nay, Former Oldham County Sheriff
Members of the Oldham County Fiscal Court

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the former Oldham County Sheriff as of December 31, 1998, and have issued our report thereon dated September 16, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the former Oldham County Sheriff's financial statement as of December 31, 1998, is free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the former Oldham County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Honorable John W. Black, County Judge/Executive
Honorable Steven Wayne Sparrow, Oldham County Sheriff
Honorable Wallace Nay, Former Oldham County Sheriff
Members of the Oldham County Fiscal Court
Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended for the information of management. However, this report, upon release by the Auditor of Public Accounts, is a matter of public record and its distribution is not limited.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
September 16, 1999

